

Message Text

SECRET

PAGE 01 CAIRO 13679 171955Z
ACTION SS-25

INFO OCT-01 ISO-00 SSO-00 /026 W
-----071212 180132Z /63

R 171450Z AUG 77
FM AMEMBASSY CAIRO
TO SECSTATE WASHDC 8414
INFO AMEMBASSY MOSCOW
AMEMBASSY PRAGUE

S E C R E T CAIRO 13679

EXDIS

E.O. 11652: GDS
TAGS: ETRD EG UR
SUBJ: FAHMY ON GOE STOPPAGE OF COTTON EXPORTS TO USSR AND
CZECHOSLOVAKIA

REF: (A) CAIRO 13655, (B) CAIRO 13525

1. WHEN MEETING WITH FAHMY TODAY AT HIS HOME, RECENT GOE ACTION STOPPING COTTON EXPORTS TO USSR AND CZECHOSLOVAKIA CAME UP. SPEAKING PRIVATELY, FAHMY DESCRIBED ACTION AS "STUPID". WHILE DISCLAMING ANY SYMPATHY FOR SOVIETS, HE EMPHAIZED THAT EGYPT NEEDS USSR AND EAST EUROPEAN MARKET TO GET RID OF A WHOLE RANGE OF MANUFACTURED COMMODITIES, FROM SHOES TO WINES, WHICH IT CANNOT SELL ANYWHERE ELSE. MANY EGYPTIAN PUBLIC SECTOR INDUSTRIES DEPEND SOLELY ON SOVIET AND EAST EURPEAN MARKET. SHOULD SOVIETS RETALIATE BY CLOSING THEIR MARKET TO THESE COMMODIITES, EGYPTIAN PUBLIC SECTOR MANUFACTURERS WILL BE IN SERIOUS DIFFICULTY. FAHMY WAS SURE THAT, DESPITE THE PRESIDENT'S PUBLIC STATMENT THAT NO MORE COTTON WOULD BE SENT TO THE SOVIETS, THERE WILL NOT BE A COMPLETE CUTOFF. INSTEAD, SOME COTTON WILL CONTINUE TO BE SENT BECAUSE EGYPT CANNOT AFFORD TO LOSE THE SOVIET MARKET FOR ITS OTHER LOW-

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QUALITY EXPORTS. MOREMOVER, EGYPT BADLY NEEDS COMMODITIES NORMALLY IMPORTED FROM THE SOVIET UION, ESPECIALLY LUMBER AND RAW MATERIALS . EGYPT CANNOT AFFORD TO BUY SUCH COMMODITIES FROM HARD-CURRENCY SOURCES. HE SAW SADAT'S ACTION AS UNNECESSARY AND UNHELPFUL TO EGYPT AND PREDICTED THAT, UNLESS QUICKLY CORRECTED, IT WILL BOOMERANG ON THE PRESIDENT.

2. DESPITE TH PRESENT MEDIA CLAMOR ABOUT THE STOPPAGE, FAHMY PREDICTED GOE WILL QUIETLY HAVE TO SETTLE THHE ISSUE. WITH A BIT OF EGYPTIAN FLEXIBILITY , HE THOUGHT SOVIETS WILL AGREE TO DO SO INASMUCH AS BALANCE OF SOVIET/ EGYPTIAN TRADE IS IN THEIR FAVOR AND REPRESENTS GOE PAYMENT ON COMMERCIAL DEBT. IN PRIVATE, FAHMY OBSERVED. SOVIETS ARE MUCH MORE FLEXIBLE IN THEIR DEALINGS WITH EGYPT THAN THEIR PUBLIC STANCE SUGGESTES. THUS, FOR EXAMPLE, DESPITE A SHARP MESSAGE RECENTLY SENT TO SOVIETS BY MININDUSTRY SHAHEEN ABOUT ALLEGED SOVIET SHORTCOMINGS IN HELWAN STEEL PLANT OPERATIONS, SOVIETS HAD SUBSEQUENTLY SAT DOWN WITH MININDUSTRY AND ACCEDED TO MOST OF LATTER'S WISHES. FAHMY HOPED SOMETHING LIKE THIS WILL HAPPEN AGAIN, BUT REPEATED DEPLORED WHAT HE CONSIDERED GRATUITOUS SLAPS AT SOVIETS.

3. GOE NEEDS SOVIETS, FAHMY SAID, NOT ONLY FOR ECONOMIC BUT ALSO FOR POLITICAL REASONS. USSR IS CO-CHAIRMAN OF GENEVA CONFERENCE AND GOE SHOULD NOT UNNECESSARILY ANTAGONIZE IT ON PERIPHERAL ISSUES.

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Message Attributes

Automatic Decaptioning: Z
Capture Date: 01-Jan-1994 12:00:00 am
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: COTTON, EXPORTS, PERSONAL OPINION, ECONOMIC CONDITIONS, EMBARGOES
Control Number: n/a
Copy: SINGLE
Sent Date: 17-Aug-1977 12:00:00 am
Decaption Date: 22 May 2009
Decaption Note: 25 YEAR REVIEW
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1977CAIRO13679
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Expiration:
Film Number: D770297-0874
Format: TEL
From: CAIRO
Handling Restrictions:
Image Path:
ISecure: 1
Legacy Key: link1977/newtext/t19770854/aaaabtqh.tel
Line Count: 84
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 4e326b59-c288-dd11-92da-001cc4696bcc
Office: ACTION SS
Original Classification: SECRET
Original Handling Restrictions: EXDIS
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: SECRET
Previous Handling Restrictions: EXDIS
Reference: 77 CAIRO 13655, 77 CAIRO 13525
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 25-Jan-2005 12:00:00 am
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 1581200
Secure: OPEN
Status: NATIVE
Subject: FAHMY ON GOE STOPPAGE OF COTTON EXPORTS TO USSR AND CZECHOSLOVAKIA
TAGS: ETRD, EG, UR, (FAHMY, ISMAIL)
To: STATE
Type: TE
vdkgvwkey: odb://SAS/SAS.dbo.SAS_Docs/4e326b59-c288-dd11-92da-001cc4696bcc
Review Markings:
Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
22 May 2009
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009